

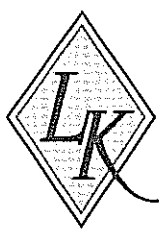
BAD AXE PUBLIC SCHOOLS
BAD AXE, MICHIGAN
FINANCIAL REPORT WITH
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management's Discussion and Analysis	II - VIII
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Statement of Changes in Fiduciary Net Assets	6
Budgetary Comparison Schedules:	
General Fund	7
Notes to the Financial Statements	8 – 18
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	19
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	20
Combining Balance Sheet – School Service Funds	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Service Funds	22
Combining Balance Sheet – Debt Retirement Funds	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Retirement Funds	24

TABLE OF CONTENTS

	<u>PAGE</u>
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	25
Schedule 2 - General Fund - Schedule of Expenditures	26 – 29
Other Supplemental Schedules:	
Schedule 3 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	30 – 31
Schedule 4 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Board Controlled Internal Funds	32
Schedule 5 – Trust and Agency Fund – Schedule of Revenue and Expenditures – Trust Fund	33 – 35
Schedule 6 - Schedule of Bond Principal and Interest Requirements	36 – 37



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 10, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Bad Axe Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bad Axe Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bad Axe Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bad Axe Public Schools as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 10, 2007 on our consideration of the Bad Axe Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II – VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bad Axe Public Schools' basic financial statements. The additional information on pages 19 – 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BAD AXE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Bad Axe Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BAD AXE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

District Wide Financial Statements: (Continued)

These two statements report the Bad Axe Public Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006:

	<u>NET ASSETS SUMMARY</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets	\$3,605,423	\$9,137,784
Non-Current Assets	<u>15,625,945</u>	<u>11,091,853</u>
<u>TOTAL ASSETS</u>	<u>\$19,231,368</u>	<u>\$20,229,637</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,674,614	\$1,574,636
Long-Term Liabilities	<u>13,914,963</u>	<u>14,354,341</u>
Total Liabilities	\$15,589,577	\$15,928,977
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	2,421,108	2,258,026
Restricted - Debt Service	355,000	368,535
Unrestricted	<u>865,683</u>	<u>1,674,099</u>
Total Net Assets	<u>\$3,641,791</u>	<u>\$4,300,660</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$19,231,368</u>	<u>\$20,229,637</u>

BAD AXE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2007 and 2006, the District wide results of operations were:

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,418,502	\$1,343,502
Property Taxes Levied for Debt Service	938,733	894,506
State of Michigan Unrestricted Foundation Aid	7,383,706	7,253,542
Other General Revenues	288,117	322,395
Total General Revenues	<u>\$10,029,058</u>	<u>\$9,813,945</u>
<u>Operating Grants:</u>		
Federal	555,969	577,808
State of Michigan	499,641	525,000
Other Operating Grants	413,310	380,468
Total Operating Grants	<u>\$1,468,920</u>	<u>\$1,483,276</u>
<u>Charges for Services:</u>		
Food Service	220,279	229,399
Athletics	132,880	114,649
Other Charges for Services	60,667	56,081
Total Charges for Services	<u>\$413,826</u>	<u>\$400,129</u>
Total Revenues	<u>\$11,911,804</u>	<u>\$11,697,350</u>
<u>EXPENSES</u>		
Instruction & Instructional Support	7,204,610	6,656,299
Support Services	3,532,615	3,330,228
Community Services	22,747	27,008
Food Service	563,468	562,375
Athletics	381,762	349,706
Interest on Long-Term Debt	574,924	587,184
Depreciation	290,547	290,547
Total Expenses	<u>\$12,570,673</u>	<u>\$11,803,347</u>
<u>(DECREASE) IN NET ASSETS</u>	(\$658,869)	(\$105,997)
<u>BEGINNING NET ASSETS</u>	<u>4,300,660</u>	<u>4,406,657</u>
<u>ENDING NET ASSETS</u>	<u><u>\$3,641,791</u></u>	<u><u>\$4,300,660</u></u>

BAD AXE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets decreased by \$658,869 to a total of \$3,641,791. This represents a 15% decrease over the prior year. The largest portion of the net assets are the districts investment in capital assets – net of related debt. These assets increased by \$163,082 for the year due to new purchases and payments of debt exceeded depreciation. The districts Unrestricted Net Assets decreased by \$808,416 during the year and the restricted portion of the net assets decreased by \$13,535. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall expenses exceeded its revenues for the year by \$658,869. Total revenues increased by \$214,454 or 2% over last years amounts. The major change were increases in property taxes. Expenses increased during the year by \$767,326 or 7% over last years amounts. Major changes were teacher buy-outs.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$817,521 during the year with the decrease coming primarily from a reduction in cash. Revenues for the year increased by \$160,605, primarily from increases in state aid and property taxes. Expenditures and other financing uses for the year increased by \$680,727, primarily due to increases in personnel costs. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)
The State of Michigan aid, unrestricted, is determined with the following variables:
 - a. State of Michigan State Aid Act per student foundation allowance
 - b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
 - c. The District's non-homestead levy
2. Per Student Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. The Bad Axe Public Schools foundation allowance was \$7,085 per student for the 2006-2007 school year.
3. Student Enrollment:
The District's student enrollment for the fall count of 2006-2007 was 1,251 students. A decrease of 28 students from the prior year.

BAD AXE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$1,408,869. An increase of \$69,507 from the prior year.

Capital Projects Fund

The district's Capital Projects fund balance decreased by \$4,766,010 due to construction beginning during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$10,257,484	\$10,119,406	\$10,138,598	1.35	0.19
Expenditures	10,398,603	10,975,396	10,956,119	5.55	0.18
<u>TOTAL</u>	<u>(\$141,119)</u>	<u>(\$855,990)</u>	<u>(\$817,521)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Bad Axe Public Schools amends its budget during the school year. The June, 2007 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

The major variance between original and final budget for revenue was due to a decrease in State Aid due to drop in enrollment along with a reduction in federal grant monies.

Expenditures

The major variance between original and final budget for expenditures was due to a teacher buy-out plan.

Actual Results vs. Final Budgets

There were no significant variances between final budget and actual for both revenue and expenditures.

BAD AXE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-06	Increases 6-30-07	Principal Payments 6-30-07	Principal Balance 6-30-07
Durant Bonds	\$48,291	\$0	\$0	\$48,291
Bonds Payable	14,455,000	0	395,000	14,060,000
Compensated Absences	250,196	0	23,524	226,672
<u>Total Long-Term Bond Obligations</u>	<u>\$14,753,487</u>	<u>\$0</u>	<u>\$418,524</u>	<u>\$14,334,963</u>

B. Capital Assets

The district's net investment in capital assets decreased by \$401,001 during the fiscal year. This can be summarized as follows:

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Capital Assets	\$16,231,627	\$5,143	\$0	\$16,236,770
Less: Accumulated Depreciation	(6,519,766)	(406,144)	0	(6,925,910)
<u>Net Investment Capital Outlay</u>	<u>\$9,711,861</u>	<u>(\$401,001)</u>	<u>\$0</u>	<u>\$9,310,860</u>

Significant additions was the purchase of a vending machine.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The foundation allowance will be \$7,108 per pupil for the 07-09 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 16.52% in 07-08 from 17.74% in 06-07. It is forecast, based on actuarial assumptions that these types of increases will occur until 2012, when the largest bulk of the current "baby boomer" generation enters retirement.

BAD AXE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

- * The Bad Axe Schools 2007/2008 adopted budget is as follows:

<u>REVENUE</u>	\$9,904,694
<u>EXPENDITURES</u>	<u>9,778,588</u>
<u>NET OVER BUDGET</u>	<u><u>\$126,106</u></u>

The adopted budget reflects the commitment of the Board of Education and Administration to maintain our current instructional programs and staffing levels. It is recognized that the use of unrestricted fund balance can not continue long term and the Board of Education, Administration and members of the various collective bargaining groups are beginning to look at other ways to help reduce fringe benefit costs, specifically health care, to allow the district to maintain its programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Bad Axe Public Schools.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,675,602
Investments	5,746
Accounts Receivable	30,459
Taxes Receivable	1,193
Due from Student Groups	21,083
Due from Other Governmental Units	1,680,908
Inventory	6,612
Prepaid Expenses	183,820
Total Current Assets	<u>\$3,605,423</u>
<u>NON-CURRENT ASSETS</u>	
Construction in Progress	6,315,085
Capital Assets	16,236,770
Less: Accumulated Depreciation	(6,925,910)
Total Noncurrent Assets	<u>\$15,625,945</u>
<u>TOTAL ASSETS</u>	<u><u>\$19,231,368</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$34,064
Accrued Expenses	404,036
Salaries Payable	743,785
Deferred Revenue	72,729
Current Portion of Long-Term Obligations	420,000
Total Current Liabilities	<u>\$1,674,614</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>13,914,963</u>
<u>TOTAL LIABILITIES</u>	<u>\$15,589,577</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	2,421,108
Restricted for:	
Debt Retirement	355,000
Unrestricted	<u>865,683</u>
<u>TOTAL NET ASSETS</u>	<u><u>\$3,641,791</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$19,231,368</u></u>

See accompanying notes to the basic financial statements.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$7,204,610	\$2,500	\$1,168,224	(\$6,033,886)
Support Services	3,532,615	34,214	8,178	(3,490,223)
Community Services	22,747	23,953	0	1,206
Food Service	563,468	220,279	292,518	(50,671)
Athletics	381,762	132,880	0	(248,882)
Interest - Long-Term Obligations	574,924	0	0	(574,924)
Depreciation - Unallocated	290,547	0	0	(290,547)
<u>TOTALS</u>	<u>\$12,570,673</u>	<u>\$413,826</u>	<u>\$1,468,920</u>	<u>(\$10,687,927)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,357,235
State Aid				7,383,706
Investment Earnings				233,450
Miscellaneous				54,667
Total General Revenues and Transfers				<u>\$10,029,058</u>
Change in Net Assets				(\$658,869)
Net Assets - Beginning				<u>4,300,660</u>
<u>Net Assets - Ending</u>				<u>\$3,641,791</u>

See accompanying notes to the basic financial statements.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	2005 Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$353,743	\$903,454	\$418,405	\$1,675,602
Investments	5,746	0	0	5,746
Accounts Receivable	30,459	0	0	30,459
Taxes Receivable	633	0	560	1,193
Due from Other Funds	39,661	0	12,461	52,122
Due from Other Governmental Units	1,669,838	0	11,070	1,680,908
Inventory	0	0	6,612	6,612
Prepaid Expenses	183,820	0	0	183,820
<u>TOTAL ASSETS</u>	<u>\$2,283,900</u>	<u>\$903,454</u>	<u>\$449,108</u>	<u>\$3,636,462</u>
<u>LIABILITIES</u>				
Accounts Payable	\$33,330	\$0	\$734	\$34,064
Due to Other Funds	12,461	0	18,578	31,039
Accrued Expenses	301,535	0	8,320	309,855
Salaries Payable	738,842	0	4,943	743,785
Deferred Revenue	11,196	0	61,533	72,729
Total Liabilities	\$1,097,364	\$0	\$94,108	\$1,191,472
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	183,820	0	6,612	190,432
Debt Retirement	0	0	355,000	355,000
Capital Projects	0	903,454	0	903,454
Unreserved:				
Undesignated, Reported In:				
General Fund	1,002,716	0	0	1,002,716
School Service Funds	0	0	(6,612)	(6,612)
Total Fund Balances	<u>\$1,186,536</u>	<u>\$903,454</u>	<u>\$355,000</u>	<u>\$2,444,990</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,283,900</u>	<u>\$903,454</u>	<u>\$449,108</u>	<u>\$3,636,462</u>

See accompanying notes to the basic financial statements.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2007

Total Governmental Fund Balances:		\$2,444,990
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$16,236,770 and the accumulated depreciation is \$6,925,910		9,310,860
Construction in Progress		6,315,085
Accrued Interest on Long-Term Debt		(94,181)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$14,108,291	
Compensated Absences Payable	226,672	
Total Long-Term Liabilities		<u>(14,334,963)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$3,641,791</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	2005 Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$1,556,833	\$169,083	\$1,311,605	\$3,037,521
State Sources	7,854,351	0	28,996	7,883,347
Federal Sources	292,447	0	263,522	555,969
Total Revenues	<u>\$9,703,631</u>	<u>\$169,083</u>	<u>\$1,604,123</u>	<u>\$11,476,837</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	7,204,610	0	0	7,204,610
Student Services	255,070	0	0	255,070
Instructional Support	312,401	0	0	312,401
General Administration	452,001	0	0	452,001
School Administration	751,170	0	0	751,170
Business Administration	18,753	0	0	18,753
Operation & Maintenance of Plant	1,156,984	0	0	1,156,984
Transportation	468,719	0	0	468,719
Other Support Services	487	0	0	487
Community Services	22,747	0	0	22,747
Food Service	0	0	925,963	925,963
Debt Service	0	0	971,629	971,629
Capital Outlay				
Land Improvements	0	20,257	0	20,257
Building Improvements	0	3,860,669	0	3,860,669
Other	0	301,411	0	301,411
Equipment	0	752,756	0	752,756
Total Expenditures	<u>\$10,642,942</u>	<u>\$4,935,093</u>	<u>\$1,897,592</u>	<u>\$17,475,627</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>(\$939,311)</u>	<u>(\$4,766,010)</u>	<u>(\$293,469)</u>	<u>(\$5,998,790)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) Other Funds	(263,809)	0	263,809	0
Other Transfers	385,599	0	0	385,599
Total Other Financing Sources (Uses)	<u>\$121,790</u>	<u>\$0</u>	<u>\$263,809</u>	<u>\$385,599</u>
Net Change in Fund Balance	<u>(\$817,521)</u>	<u>(\$4,766,010)</u>	<u>(\$29,660)</u>	<u>(\$5,613,191)</u>
<u>FUND BALANCE - BEGINNING</u>	<u>2,004,057</u>	<u>5,669,464</u>	<u>384,660</u>	<u>8,058,181</u>
<u>FUND BALANCE - ENDING</u>	<u>\$1,186,536</u>	<u>\$903,454</u>	<u>\$355,000</u>	<u>\$2,444,990</u>

See accompanying notes to the basic financial statements.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Total net change in fund balances - governmental funds	(\$5,613,191)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlay.	(401,001)
Construction in Progress	4,935,093
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	395,000
(Increase) in Compensated Absences	23,524
Change in accrued interest on long-term liabilities	<u>1,706</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$658,869)</u></u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

	<u>Trust & Agency</u>	<u>Private Purpose Trusts</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$118,836	\$324,118	\$442,954
Investments	<u>0</u>	<u>56,296</u>	<u>56,296</u>
Total Assets	\$118,836	\$380,414	\$499,250
<u>LIABILITIES</u>			
Due to Other Funds	21,083	0	21,083
Accounts Payable	56	0	56
Due to Student Groups	<u>97,697</u>	<u>0</u>	<u>97,697</u>
Total Liabilities	<u>\$118,836</u>	<u>\$0</u>	<u>\$118,836</u>
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$380,414</u>	<u>\$380,414</u>

See accompanying notes to the basic financial statements.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trusts</u>
<u>REVENUE</u>	
Interest	\$23,884
Donations	<u>52,670</u>
Total Revenue	\$76,554
 <u>EXPENDITURES</u>	
Scholarships	<u>27,906</u>
 <u>CHANGE IN NET ASSETS</u>	 \$48,648
 <u>NET ASSETS - BEGINNING OF YEAR</u>	 <u>331,766</u>
 <u>NET ASSETS - END OF YEAR</u>	 <u><u>\$380,414</u></u>

See accompanying notes to the basic financial statements.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$1,587,421	\$1,555,919	\$1,556,833	\$914
State Sources	7,959,282	7,855,164	7,854,351	(813)
Federal Sources	303,610	286,523	292,447	5,924
Total Revenues	<u>\$9,850,313</u>	<u>\$9,697,606</u>	<u>\$9,703,631</u>	<u>\$6,025</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	6,823,309	7,219,672	7,204,610	15,062
Student Services & Instructional Support	605,847	572,973	567,471	5,502
General Administration	420,557	465,426	452,001	13,425
School & Business Administration	751,844	766,442	769,923	(3,481)
Operation & Maintenance of Plant	1,052,173	1,147,298	1,156,984	(9,686)
Transportation	467,273	481,107	468,719	12,388
Other Support Services	0	0	487	(487)
Community Services	24,600	22,697	22,747	(50)
Total Expenditures	<u>\$10,145,603</u>	<u>\$10,675,615</u>	<u>\$10,642,942</u>	<u>\$32,673</u>
Excess of Revenues Over Expenditures	<u>(\$295,290)</u>	<u>(\$978,009)</u>	<u>(\$939,311)</u>	<u>\$38,698</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to Other Funds	154,171	122,019	121,790	(229)
Net Change in Fund Balance	<u>(\$141,119)</u>	<u>(\$855,990)</u>	<u>(\$817,521)</u>	<u>\$38,469</u>
<u>FUND BALANCE - BEGINNING</u>			<u>2,004,057</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,186,536</u>	

See accompanying notes to the basic financial statements.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bad Axe Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are value at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are value at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles generally requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the District for these budgetary funds were adopted to the activity level.

During the year ended June 30, 2007, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
Investment Pools - Mutual Funds	\$56,296	3.4482	N/A	90.74%
MILAF External Investment Pool - MICMS	1,949	0.0027	AAAm	3.14%
MILAF External Investment Pool - MIMAX	3,797	0.0027	AAAm	6.12%
Total fair value	<u>\$ 62,042</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>3.1291</u>		

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in Mutual Funds which represents 91% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$1,438,918 of the District's bank balance of \$2,296,441 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investment in investment pools – mutual funds of \$56,296 the District has a custodial credit risk exposure of \$56,296 because the related securities are uninsured, unregistered and held by the District's brokerage firm which is also the counterparty for these particular securities.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$442,954	\$ 2,118,556
Investments	<u>62,042</u>
<u>TOTAL</u>	<u>\$ 2,180,598</u>

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trust Fund	\$ 324,118
Cash Agency Fund	118,836
Cash – District Wide	1,675,602
Investments – Private Purpose Trust Fund	56,296
Investments – District Wide	<u>5,746</u>
<u>TOTAL</u>	<u>\$ 2,180,598</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

6) RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,317,010
Federal Grants	65,200
Other	298,698
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,680,908</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the School District had no estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2007.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$13,290,275	\$0	\$0	\$13,290,275
Land Improvements	1,260,013	0	0	1,260,013
Equipment and Furniture	509,784	5,143	0	514,927
Vehicles	1,171,555	0	0	1,171,555
Totals at Historical Cost	<u>\$16,231,627</u>	<u>\$5,143</u>	<u>\$0</u>	<u>\$16,236,770</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(4,829,497)	(281,274)	0	(5,110,771)
Land Improvements	(394,317)	(31,921)	0	(426,238)
Equipment and Furniture	(375,381)	(36,785)	0	(412,166)
Vehicles	<u>(920,571)</u>	<u>(56,164)</u>	<u>0</u>	<u>(976,735)</u>
Total Accumulated Depreciation	<u>(\$6,519,766)</u>	<u>(\$406,144)</u>	<u>\$0</u>	<u>(\$6,925,910)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$9,711,861</u>	<u>(\$401,001)</u>	<u>\$0</u>	<u>\$9,310,860</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Support Services	\$ 91,187
Food Service	1,091
Athletics	23,319
Unallocated	290,547
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 406,144</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2007 were \$118,075 and the School District received a dividend refund of \$34,130.

11) LONG-TERM LIABILITIES

A) Prior Period Defeasance

On May 1, 2003, the District defeased certain obligation bonds by placing the proceeds of the new general obligation bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's government-wide financial statements. The balance of the bonds as of June 30, 2007 was \$7,180,000.

B) 2005 School Building and Site Bonds

Bad Axe Public Schools has issued School Building and Site Bonds dated June 28, 2005, in the amount of \$6,985,000, bearing interest at rates varying from 3.00% to 4.50% per annum. These bonds will be used for school building and site purposes. The balance of the bonds as of June 30, 2007 was \$6,880,000.

C) Durant Resolution Package Bonds

Bad Axe Public Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$81,784 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2007 was \$48,291.

D) Debt service requirements at June 30, 2007, were as follows:

<u>YEAR ENDED</u>			
<u>JUNE 30,</u>	<u>BONDS</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$420,000	\$565,089	\$985,089
2009	439,551	553,681	993,232
2010	479,768	539,552	1,019,320
2011	523,257	533,306	1,056,563
2012	515,233	506,630	1,021,863
2013-2017	2,875,482	2,238,994	5,114,476
2018-2022	3,525,000	1,607,243	5,132,243
2023-2027	3,380,000	843,662	4,223,662
2028-2030	1,950,000	170,625	2,120,625
<u>TOTAL</u>	<u>\$14,108,291</u>	<u>\$7,558,782</u>	<u>\$21,667,073</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

11) LONG-TERM LIABILITIES (Continued)

E) Changes in Long-Term Liabilities

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Amount Due in One Year
<u>Governmental Activities:</u>					
Durant Bonds	\$48,291	\$0	\$0	\$48,291	\$0
Bonds Payable	14,455,000	0	395,000	14,060,000	420,000
Compensated Absences	250,196	0	23,524	226,672	0
<u>Total Governmental Activities</u>	<u>\$14,753,487</u>	<u>\$0</u>	<u>\$418,524</u>	<u>\$14,334,963</u>	<u>\$420,000</u>

The payment dates of sick days payable are undeterminable. The interest expenditures on long-term obligations for the year were \$575,314.

12) INTERFUND BALANCES

Interfund balances at June 30, 2007 consisted of the following:

		DUE FROM		
		GENERAL	ATHLETICS	
		FUND	FUND	TOTAL
DUE TO	General Fund	\$0	\$12,461	\$12,461
	Food Service Fund	18,578	0	18,578
	Trust & Agency Fund	21,083	0	21,083
	<u>TOTAL</u>	<u>\$39,661</u>	<u>\$12,461</u>	<u>\$52,122</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

		TRANSFERS FROM
		GENERAL
		FUND
TRANSFERS TO	Special Revenue Fund	<u>\$263,809</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$1,106,439, \$997,847 and \$950,257, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

15) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from significant adverse financial impact.

16) GOVERNMENTAL REGULATION

Substantially all of the school district's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the school district expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the school district. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL
INFORMATION

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$63,965	\$354,440	\$418,405
Taxes Receivable	0	560	560
Due from Other Funds	12,461	0	12,461
Due from Other Governmental Units	11,070	0	11,070
Inventory	6,612	0	6,612
<u>TOTAL ASSETS</u>	<u>\$94,108</u>	<u>\$355,000</u>	<u>\$449,108</u>
<u>LIABILITIES</u>			
Accounts Payable	\$734	\$0	\$734
Due to Other Funds	18,578	0	18,578
Accrued Expenses	8,320	0	8,320
Salaries Payable	4,943	0	4,943
Deferred Revenue	61,533	0	61,533
Total Liabilities	\$94,108	\$0	\$94,108
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	6,612	0	6,612
Debt Retirement	0	355,000	355,000
Unreserved:			
Undesignated, Reported In:			
School Service Fund	(6,612)	0	(6,612)
Total Fund Balances	\$0	\$355,000	\$355,000
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$94,108</u>	<u>\$355,000</u>	<u>\$449,108</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds	Debt Funds	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$353,512	\$958,093	\$1,311,605
State Sources	28,996	0	28,996
Federal Sources	263,522	0	263,522
Total Revenues	<u>\$646,030</u>	<u>\$958,093</u>	<u>\$1,604,123</u>
<u>OTHER FINANCING SOURCES</u>	<u>263,809</u>	<u>0</u>	<u>263,809</u>
Total Revenues & Other Financing Sources	<u>\$909,839</u>	<u>\$958,093</u>	<u>\$1,867,932</u>
<u>EXPENDITURES</u>			
Food Service & Athletics	925,963	0	925,963
Debt Service	0	971,629	971,629
Total Expenditures	<u>\$925,963</u>	<u>\$971,629</u>	<u>\$1,897,592</u>
Net Change in Fund Balance	(\$16,124)	(\$13,536)	(\$29,660)
<u>NET ASSETS - BEGINNING</u>	<u>16,124</u>	<u>368,536</u>	<u>384,660</u>
<u>NET ASSETS - ENDING</u>	<u>\$0</u>	<u>\$355,000</u>	<u>\$355,000</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2007

	Food Services Fund	Athletic Fund	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$10,166	\$53,799	\$63,965
Due from Other Funds	0	12,461	12,461
Due from Other Governmental Units	11,070	0	11,070
Inventory	6,612	0	6,612
<u>TOTAL ASSETS</u>	<u>\$27,848</u>	<u>\$66,260</u>	<u>\$94,108</u>
<u>LIABILITIES</u>			
Accounts Payable	\$657	\$77	\$734
Due to Other Funds	18,578	0	18,578
Accrued Expenses	6,186	2,134	8,320
Salaries Payable	66	4,877	4,943
Deferred Revenue	2,361	59,172	61,533
Total Liabilities	\$27,848	\$66,260	\$94,108
<u>FUND BALANCES</u>			
Fund Balance - Reserved for Inventory	6,612	0	6,612
Fund Balance - Unreserved and Undesignated	(6,612)	0	(6,612)
Total Fund Balance	\$0	\$0	\$0
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$27,848</u>	<u>\$66,260</u>	<u>\$94,108</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Food Services Fund</u>	<u>Athletic Fund</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$220,279	\$0	\$220,279
Athletic Activities	0	132,880	132,880
Earnings on Investments and Deposits	163	190	353
Other Local Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Total Local Sources	\$220,442	\$133,070	\$353,512
<u>State Sources</u>			
State Reimbursements	28,996	0	28,996
<u>Federal Sources</u>			
Federal Reimbursements	230,761	0	230,761
Commodities	<u>32,761</u>	<u>0</u>	<u>32,761</u>
Total Federal Sources	\$263,522	\$0	\$263,522
Total Revenues	\$512,960	\$133,070	\$646,030
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	<u>38,436</u>	<u>225,373</u>	<u>263,809</u>
Total Revenues & Other Financing Sources	\$551,396	\$358,443	\$909,839
<u>EXPENDITURES</u>			
Salaries - Professional	0	183,529	183,529
Salaries - Non-Professional	138,817	0	138,817
Insurances	77,835	10,553	88,388
Fica, Retirement, Etc.	36,965	39,043	76,008
Purchased Services	16,632	406	17,038
Supplies and Materials	284,984	124,019	409,003
Capital Outlay	8,550	893	9,443
Other	<u>3,737</u>	<u>0</u>	<u>3,737</u>
Total Expenditures	\$567,520	\$358,443	\$925,963
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	(\$16,124)	\$0	(\$16,124)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>16,124</u>	<u>0</u>	<u>16,124</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
COMBINING BALANCE SHEET
DEBT RETIREMENT FUNDS
AS OF JUNE 30, 2007

	2003 Debt Retirement	2005 Debt Retirement	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$337,808	\$16,632	\$354,440
Taxes Receivable	461	99	560
<u>TOTAL ASSETS</u>	<u>\$338,269</u>	<u>\$16,731</u>	<u>\$355,000</u>
<u>FUND BALANCES</u>			
Fund Balance - Reserved for Debt Retirement	<u>\$338,269</u>	<u>\$16,731</u>	<u>\$355,000</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	2003 Debt <u>Retirement</u>	2005 Debt <u>Retirement</u>	Total After Interfund <u>Eliminations</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	\$768,758	\$169,975	\$938,733
Earnings on Investments and Deposits	16,766	2,323	19,089
Other Local Revenues	<u>271</u>	<u>0</u>	<u>271</u>
Total Local Sources	\$785,795	\$172,298	\$958,093
 <u>OTHER FINANCING SOURCES</u>			
Transfers from Other Debt Funds	<u>0</u>	<u>184,137</u>	<u>0</u>
Total Revenues and Other Financing Sources	\$785,795	\$356,435	\$958,093
 <u>EXPENDITURES</u>			
Principal	325,000	70,000	395,000
Interest	288,653	286,661	575,314
Other	<u>1,122</u>	<u>193</u>	<u>1,315</u>
Total Expenditures	\$614,775	\$356,854	\$971,629
 <u>OTHER FINANCING USES</u>			
Transfers to Other Debt Funds	<u>184,137</u>	<u>0</u>	<u>0</u>
Total Expenditures and Other Financing Uses	\$798,912	\$356,854	\$971,629
 <u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES (UNDER) EXPENDITURES</u> <u>AND OTHER FINANCING USES</u>	(\$13,117)	(\$419)	(\$13,536)
 <u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>351,386</u>	<u>17,150</u>	<u>368,536</u>
 <u>FUND BALANCE - END OF YEAR</u>	<u>\$338,269</u>	<u>\$16,731</u>	<u>\$355,000</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
GENERAL FUND
SCHEDULES OF REVENUES AND OTHER FINANCING SOURCES - BUDGET TO ACTUAL
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>REVENUES FROM</u>		
<u>Local Sources</u>		
Property Taxes	\$1,418,502	\$1,343,502
Earnings on Investments and Deposits	44,925	45,896
Other Local Revenues	93,406	92,503
Total Revenues from Local Sources	<u>\$1,556,833</u>	<u>\$1,481,901</u>
<u>State Sources</u>		
State Aid - Membership - Sec. 20	7,383,706	7,253,542
At Risk	248,892	248,544
Special Education	198,872	239,180
Vocational Education	0	1,423
Durant	8,178	8,178
Other State Grants	14,703	0
Total Revenues from State Sources	<u>\$7,854,351</u>	<u>\$7,750,867</u>
<u>Federal Sources</u>		
Title I	175,730	204,968
Title V	1,154	2,658
Special Education	0	1,901
Technology Literacy Challenge	1,804	3,824
Improving Teacher Quality	74,857	76,816
Grants from ISD	38,902	30,598
Total Revenues from Federal Sources	<u>\$292,447</u>	<u>\$320,765</u>
Total Revenues	<u>\$9,703,631</u>	<u>\$9,553,533</u>
<u>OTHER FINANCING SOURCES</u>		
County Special Education Tax	363,046	338,767
Transfers from Other Governmental Units	50,264	41,701
Other Transfers	6,500	32,372
Sale of School Property	15,157	11,620
Total Other Financing Sources	<u>\$434,967</u>	<u>\$424,460</u>
<u>TOTAL REVENUES AND OTHER</u> <u>FINANCING SOURCES</u>	<u><u>\$10,138,598</u></u>	<u><u>\$9,977,993</u></u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
GENERAL FUND
SCHEDULES OF EXPENDITURES AND OTHER FINANCING USES - BUDGET TO ACTUAL
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

<u>INSTRUCTION</u>	<u>2007</u>	<u>2006</u>
<u>BASIC PROGRAMS</u>		
<u>Elementary</u>		
Salaries - Professional	\$669,923	\$608,238
Salaries - Non-Professional	101,121	88,255
Insurances	213,710	203,378
Fica, Retirement, Etc.	185,040	167,419
Purchased Services	9,466	8,483
Supplies and Materials	18,657	22,593
Capital Outlay	550	530
Total Elementary	<u>\$1,198,467</u>	<u>\$1,098,896</u>
<u>Intermediate</u>		
Salaries - Professional	966,873	832,410
Salaries - Non-Professional	23,393	28,840
Insurances	207,293	196,754
Fica, Retirement, Etc.	223,451	201,641
Purchased Services	9,750	8,773
Supplies and Materials	12,448	18,237
Capital Outlay	1,795	0
Total Intermediate	<u>\$1,445,003</u>	<u>\$1,286,655</u>
<u>Junior High</u>		
Salaries - Professional	903,784	837,263
Salaries - Non-Professional	27,894	19,895
Insurances	189,032	178,507
Fica, Retirement, Etc.	221,351	200,968
Purchased Services	10,963	9,787
Supplies and Materials	17,817	34,295
Total Junior High	<u>\$1,370,841</u>	<u>\$1,280,715</u>
<u>High School</u>		
Salaries - Professional	1,263,363	1,123,987
Salaries - Non-Professional	38,898	32,351
Insurances	235,525	222,376
Fica, Retirement, Etc.	308,552	268,649
Purchased Services	20,427	23,472
Supplies and Materials	50,143	55,200
Total High School	<u>\$1,916,908</u>	<u>\$1,726,035</u>
Total Basic Programs	\$5,931,219	\$5,392,301

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN

GENERAL FUND

SCHEDULES OF EXPENDITURES AND OTHER FINANCING USES - BUDGET TO ACTUAL
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
<u>INSTRUCTION</u> (Continued)		
<u>ADDED NEEDS</u>		
<u>SPECIAL EDUCATION</u>		
Salaries - Professional	\$465,267	\$434,144
Salaries - Non-Professional	11,546	11,165
Insurances	114,141	108,873
Fica, Retirement, Etc.	116,558	106,783
Purchased Services	406	407
Supplies and Materials	5,352	2,276
Total Special Education	\$713,270	\$663,648
<u>COMPENSATORY EDUCATION</u>		
Salaries - Professional	357,857	399,753
Salaries - Non-Professional	17,262	0
Insurances	29,499	32,349
Fica, Retirement, Etc.	92,516	95,659
Purchased Services	1,500	1,855
Supplies and Materials	3,823	7,397
Total Compensatory Education	\$502,457	\$537,013
<u>VOCATIONAL EDUCATION</u>		
Salaries - Professional	21,724	27,562
Insurances	6,198	6,037
Fica, Retirement, Etc.	5,484	6,632
Purchased Services	10,700	6,697
Supplies and Materials	12,358	15,252
Capital Outlay	1,200	1,157
Total Vocational Education	\$57,664	\$63,337
Total Added Needs	\$1,273,391	\$1,263,998
<u>Total Instruction</u>	\$7,204,610	\$6,656,299
<u>SUPPORT SERVICES</u>		
<u>STUDENT SERVICES</u>		
Salaries - Professional	158,617	182,788
Salaries - Non-Professional	17,569	16,975
Insurances	30,276	32,410
Fica, Retirement, Etc.	44,508	46,801
Purchased Services	1,365	1,694
Supplies and Materials	2,685	1,869
Other Expenses	50	0
Total Student Services	\$255,070	\$282,537

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN

GENERAL FUND

SCHEDULES OF EXPENDITURES AND OTHER FINANCING USES - BUDGET TO ACTUAL
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
<u>SUPPORT SERVICES (Continued)</u>		
<u>INSTRUCTIONAL STAFF</u>		
Salaries - Professional	\$115,481	\$115,256
Salaries - Non-Professional	65,050	54,481
Insurances	49,741	48,054
Fica, Retirement, Etc.	45,018	39,983
Purchased Services	19,866	15,558
Supplies and Materials	17,245	16,465
Total Instructional Staff	\$312,401	\$289,797
<u>GENERAL ADMINISTRATION</u>		
Salaries - Professional	208,007	195,910
Salaries - Non-Professional	67,768	47,890
Insurances	65,978	58,071
Fica, Retirement, Etc.	59,501	51,980
Purchased Services	28,863	33,110
Supplies and Materials	6,327	7,693
Capital Outlay	0	980
Other	15,557	16,310
Total General Administration	\$452,001	\$411,944
<u>SCHOOL ADMINISTRATION</u>		
Salaries - Professional	344,826	330,618
Salaries - Non-Professional	140,124	158,595
Insurances	124,210	124,613
Fica, Retirement, Etc.	117,370	113,265
Purchased Services	12,100	11,363
Supplies and Materials	3,610	3,013
Capital Outlay	3,800	12,030
Other	5,130	3,820
Total School Administration	\$751,170	\$757,317
<u>BUSINESS ADMINISTRATION</u>		
Other	18,753	6,785
<u>OPERATION AND MAINTENANCE OF PLANT</u>		
Salaries - Professional	48,214	46,716
Salaries - Non-Professional	334,271	323,877
Insurances	154,100	167,894
Fica, Retirement, Etc.	96,474	88,492
Purchased Services	214,668	187,581
Supplies and Materials	309,257	281,431
Capital Outlay	0	8,216
Total Operation and Maintenance of Plant	\$1,156,984	\$1,104,207

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGANGENERAL FUNDSCHEDULES OF EXPENDITURES AND OTHER FINANCING USES - BUDGET TO ACTUAL
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
<u>SUPPORT SERVICES (Continued)</u>		
<u>TRANSPORTATION</u>		
Salaries - Non-Professional	\$207,685	\$200,400
Insurances	113,595	115,119
Fica, Retirement, Etc.	54,359	49,706
Purchased Services	17,350	14,282
Supplies and Materials	75,505	72,748
Capital Outlay	0	1,096
Other	225	186
Total Transportation	<u>\$468,719</u>	<u>\$453,537</u>
<u>OTHER SUPPORT SERVICES</u>		
Supplies and Materials	<u>487</u>	<u>0</u>
Total Support Services	\$3,415,585	\$3,306,124
<u>COMMUNITY SERVICES</u>		
Salaries - Professional	17,118	20,572
Insurances	111	141
Fica, Retirement, Etc.	4,304	4,867
Purchased Services	310	347
Supplies and Materials	904	1,081
Total Community Services	<u>\$22,747</u>	<u>\$27,008</u>
Total Expenditures	\$10,642,942	\$9,989,431
<u>OTHER FINANCING USES</u>		
Transfers to Other Funds	263,809	211,550
Other Transfers	0	13,079
Transfers to Other Districts	49,368	61,332
Total Other Financing Uses	<u>\$313,177</u>	<u>\$285,961</u>
<u>TOTAL EXPENDITURES AND OTHER</u> <u>FINANCING USES</u>	<u>\$10,956,119</u>	<u>\$10,275,392</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due To (From) Student Group July 1, 2006	Receipts	Disbursements	Due To (From) Student Group June 30, 2007
<u>HIGH SCHOOL</u>				
Academic Track	\$934	\$0	\$0	\$934
AP Government	1,200	16,323	17,455	68
Art Club	952	125	0	1,077
Band	59	0	0	59
Book Deposits	6,787	954	605	7,136
Cheerleading Uniforms	1,542	0	525	1,017
Class of 2000	1,446	0	0	1,446
Class of 2001	0	7,608	3,625	3,983
Class of 2002	661	0	0	661
Class of 2003	131	0	1	130
Class of 2004	1,998	0	2	1,996
Class of 2005	728	0	0	728
Class of 2006	919	0	549	370
Class of 2007	3,832	6,817	10,122	527
Class of 2008	2,974	5,436	5,868	2,542
Class of 2009	3,839	778	16	4,601
Class of 2010	3,078	4,727	3,311	4,494
Class of 2011	4,350	33,562	34,150	3,762
Community Asst	1	0	0	1
Computer Club	643	0	0	643
FFA	2,274	0	0	2,274
Forensics	(43)	1,489	1,446	0
French Club	1,045	298	283	1,060
Hatchet Fitness Club	96	0	0	96
Hatchet Hardware	267	0	0	267
Homeless Program	0	120	120	0
INK. Inc.	4	0	0	4
Interest	395	5,430	5,825	0
Library Club	3	220	0	223
Lounge	2,630	1,271	1,543	2,358
Music Club	1,314	3,366	4,000	680
Musical	11,620	6,673	4,757	13,536
National Honor Society	1,263	75	848	490
Program Supplement	2,900	12,389	14,252	1,037
Quest	35	0	0	35
Quiz Bowl	0	585	330	255
Relay for Life	0	539	7	532
SADD Chapter	261	0	0	261
Scholarship Red Wings	500	0	500	0
Science Club	213	52	265	0
Spanish Club	2,174	4,253	4,618	1,809
Speech Club	323	0	0	323
Student Council	1,439	8,852	7,792	2,499
Three-Act Play	3,671	1,280	501	4,450
Yearbook	0	12,955	15,496	(2,541)
Yellow Ribbon	1,131	83	346	868
Total High School	<u>\$69,589</u>	<u>\$136,260</u>	<u>\$139,158</u>	<u>\$66,691</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due To (From) Student Group July 1, 2006	Receipts	Disbursements	Due To (From) Student Group June 30, 2007
<u>JUNIOR HIGH</u>				
Band	\$0	\$13	\$0	\$13
Book Deposits	2,655	60	1,221	1,494
Cheerleaders	300	0	0	300
Journalism	212	0	0	212
Lounge	317	651	505	463
Quiz Bowl	60	882	812	130
Sixth Grade Band	46	0	0	46
Sixth Grade Computer	636	0	0	636
Student Council	4,195	7,581	7,108	4,668
Total Junior High	<u>\$8,421</u>	<u>\$9,187</u>	<u>\$9,646</u>	<u>\$7,962</u>
<u>INTERMEDIATE & ELEMENTARY</u>				
Elementary & Intermediate Trip	3,267	0	0	3,267
Elem School Carnival	1,888	1,081	1,233	1,736
Equipment	5,470	4,493	4,162	5,801
Foster Grandparents	5	0	0	5
Friday Treat	2,196	2,379	1,974	2,601
Lounge - Elementary	1,567	877	825	1,619
Lounge - Intermediate	101	435	536	0
PTSA	8,458	3,403	3,846	8,015
Total Intermediate & Elementary	<u>\$22,952</u>	<u>\$12,668</u>	<u>\$12,576</u>	<u>\$23,044</u>
<u>TOTAL</u>	<u>\$100,962</u>	<u>\$158,115</u>	<u>\$161,380</u>	<u>\$97,697</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - BOARD CONTROLLED INTERNAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due To (From) Student Group July 1, 2006	Receipts	Disbursements	Due To (From) Student Group June 30, 2007
<u>HIGH SCHOOL</u>				
Art Fees	\$966	\$1,085	\$15	\$2,036
Assemblies	971	1,541	2,194	318
Book Store	4,300	3,301	4,598	3,003
Shop Fees	1,275	6,364	7,584	55
Total High School	<u>\$7,512</u>	<u>\$12,291</u>	<u>\$14,391</u>	<u>\$5,412</u>
<u>JUNIOR HIGH</u>				
Art, Home Economics & Shop Fees	208	0	0	208
Bookstore	724	40	705	59
Calculator	111	613	583	141
Library	44	707	111	640
School Spirit	1,351	1,216	800	1,767
Total Junior High	<u>\$2,438</u>	<u>\$2,576</u>	<u>\$2,199</u>	<u>\$2,815</u>
<u>INTERMEDIATE</u>				
Bookstore	856	552	376	1,032
Library	25	0	0	25
Total Intermediate	<u>\$881</u>	<u>\$552</u>	<u>\$376</u>	<u>\$1,057</u>
<u>ELEMENTARY</u>				
Bookstore	4,089	3,076	2,015	5,150
Library	149	0	0	149
Total Elementary	<u>\$4,238</u>	<u>\$3,076</u>	<u>\$2,015</u>	<u>\$5,299</u>
<u>TOTAL</u>	<u>\$15,069</u>	<u>\$18,495</u>	<u>\$18,981</u>	<u>\$14,583</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
PRIVATE PURPOSE TRUSTS
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

<hr/>		
	<u>ALLEN SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$5,237
<u>REVENUE</u>		
Interest		254
<u>BALANCE - JUNE 30, 2007</u>		<u>\$5,491</u>
<hr/>		
	<u>BEACH SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$162,649
<u>REVENUE</u>		
Interest		7,398
<u>EXPENDITURES</u>		
Scholarship Awards		5,000
<u>BALANCE - JUNE 30, 2007</u>		<u>\$165,047</u>
<hr/>		
	<u>GREENE SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$46,666
<u>REVENUE</u>		
Interest		11,030
<u>EXPENDITURES</u>		
Scholarship Awards		1,400
<u>BALANCE - JUNE 30, 2007</u>		<u>\$56,296</u>
<hr/>		
	<u>GROOMBRIDGE SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$5,953
<u>REVENUE</u>		
Interest		276
Donations		270
Total Revenue		\$546
<u>EXPENDITURES</u>		
Scholarship Awards		500
<u>BALANCE - JUNE 30, 2007</u>		<u>\$5,999</u>
<hr/>		
	<u>IGNASH SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$7,212
<u>EXPENDITURES</u>		
Scholarship Awards		7,212
<u>BALANCE - JUNE 30, 2007</u>		<u>\$0</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
PRIVATE PURPOSE TRUSTS
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

<hr/> <hr/>		
	<u>KASSERMAN SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$51,095
<u>REVENUE</u>		
Interest		2,371
<u>BALANCE - JUNE 30, 2007</u>		<u>\$53,466</u>
<hr/>		
	<u>MARSH SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$5,429
<u>REVENUE</u>		
Donations		2,400
Interest		133
Total Revenue		<u>\$2,533</u>
<u>EXPENDITURES</u>		
Scholarship Awards		<u>7,962</u>
<u>BALANCE - JUNE 30, 2007</u>		<u>\$0</u>
<hr/>		
	<u>MORELL SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$3,750
<u>REVENUE</u>		
Interest		82
<u>EXPENDITURES</u>		
Scholarship Awards		<u>3,832</u>
<u>BALANCE - JUNE 30, 2007</u>		<u>\$0</u>
<hr/>		
	<u>PANKRATZ SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$21,406
<u>REVENUE</u>		
Interest		1,039
<u>EXPENDITURES</u>		
Scholarship Awards		<u>1,000</u>
<u>BALANCE - JUNE 30, 2007</u>		<u>\$21,445</u>
<hr/> <hr/>		

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
PRIVATE PURPOSE TRUSTS
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>ROWLAND SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$4,701
<u>REVENUE</u>		
Interest		223
<u>BALANCE - JUNE 30, 2007</u>		<u>\$4,924</u>
	<u>STEINHARDT SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$17,668
<u>REVENUE</u>		
Interest		1,078
Donations		50,000
Total Revenue		<u>\$51,078</u>
<u>EXPENDITURES</u>		
Scholarship Awards		<u>1,000</u>
<u>BALANCE - JUNE 30, 2007</u>		<u>\$67,746</u>
	<u>ALL SCHOLARSHIP FUNDS</u>	
<u>BALANCE - JUNE 30, 2007</u>		<u>\$380,414</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$81,784

1998 DURANT RESOLUTION PACKAGE BONDS

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2008	\$0	4.761353%	\$0	\$0
2009	4,551	4.761353%	1,192	5,743
2010	4,768	4.761353%	975	5,743
2011	28,257	4.761353%	10,330	38,587
2012	5,233	4.761353%	510	5,743
2013	5,482	4.761353%	261	5,743
<u>TOTAL</u>	<u>\$48,291</u>		<u>\$13,268</u>	<u>\$61,559</u>

2003 REFUNDING BONDS

DUE DATE	INTEREST RATE	PRINCIPAL REQUIREMENT	INTEREST PAYMENTS DUE		TOTAL
			NOVEMBER 1	MAY 1	
2007-2008	3.00%	\$335,000	\$141,264	\$141,264	\$617,528
2008-2009	3.25%	345,000	136,239	136,239	617,478
2009-2010	3.75%	360,000	130,633	130,632	621,265
2010-2011	3.50%	370,000	124,557	124,558	619,115
2011-2012	3.50%	385,000	118,083	118,082	621,165
2012-2013	3.65%	400,000	111,345	111,345	622,690
2013-2014	3.80%	415,000	104,045	104,045	623,090
2014-2015	3.90%	430,000	96,160	96,160	622,320
2015-2016	4.00%	450,000	87,775	87,775	625,550
2016-2017	4.00%	465,000	78,775	78,775	622,550
2017-2018	4.10%	485,000	69,475	69,475	623,950
2018-2019	4.20%	505,000	59,532	59,533	624,065
2019-2020	4.25%	530,000	48,927	48,928	627,855
2020-2021	4.35%	550,000	37,665	37,665	625,330
2021-2022	4.40%	570,000	25,703	25,702	621,405
2022-2023	4.50%	585,000	13,163	13,162	611,325
<u>TOTAL</u>		<u>\$7,180,000</u>	<u>\$1,383,341</u>	<u>\$1,383,340</u>	<u>\$9,946,681</u>

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

DATE OF ISSUE - June 28, 2005

Original amount of issue - \$6,985,000

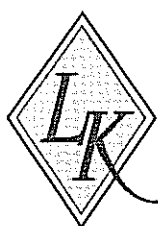
2005 SCHOOL BUILDING AND SITE BONDS

<u>DUE DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2007-2008	3.000%	\$85,000	\$141,280	\$141,281	\$367,561
2008-2009	3.000%	90,000	140,005	140,006	370,011
2009-2010	3.000%	115,000	138,656	138,656	392,312
2010-2011	3.125%	125,000	136,931	136,930	398,861
2011-2012	3.200%	125,000	134,977	134,978	394,955
2012-2013	3.300%	130,000	132,977	132,978	395,955
2013-2014	3.400%	135,000	130,833	130,832	396,665
2014-2015	3.500%	145,000	128,538	128,537	402,075
2015-2016	4.250%	145,000	126,000	126,000	397,000
2016-2017	4.250%	155,000	122,919	122,919	400,838
2017-2018	4.250%	160,000	119,625	119,625	399,250
2018-2019	4.250%	170,000	116,225	116,225	402,450
2019-2020	4.250%	175,000	112,613	112,612	400,225
2020-2021	4.250%	185,000	108,894	108,894	402,788
2021-2022	4.000%	195,000	104,963	104,962	404,925
2022-2023	4.000%	215,000	101,062	101,063	417,125
2023-2024	4.125%	630,000	96,762	96,763	823,525
2024-2025	4.125%	650,000	83,768	83,769	817,537
2025-2026	4.200%	650,000	70,363	70,362	790,725
2026-2027	4.250%	650,000	56,713	56,712	763,425
2027-2028	4.500%	650,000	42,900	42,900	735,800
2028-2029	4.350%	650,000	28,275	28,275	706,550
2029-2030	4.350%	650,000	14,137	14,138	678,275
<u>TOTAL</u>		<u>\$6,880,000</u>	<u>\$2,389,416</u>	<u>\$2,389,417</u>	<u>\$11,658,833</u>

BAD AXE PUBLIC SCHOOLS
BAD AXE, MICHIGAN
FEDERAL AWARDS
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

CONTENTS

	<u>PAGE</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3 – 4
Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	5 – 6
Notes/Reconciliation to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	7
Reconciliation of Form R7120 "Grant Section Auditor's Report" to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	8
Summary of Findings and Questioned Costs for the year ended June 30, 2007	9
Status of Prior Year Findings	9



August 10, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Bad Axe Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bad Axe Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the Bad Axe Public Schools' basic financial statements and have issued our report thereon dated August 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bad Axe Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bad Axe Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bad Axe Public Schools' internal control over financial reporting.

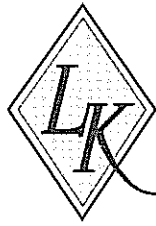
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Bad Axe Public Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Bad Axe Public Schools' financial statements that is more than inconsequential will not be prevented or detected by the Bad Axe Public Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bad Axe Public Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bad Axe Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Bad Axe Public Schools

Page 2

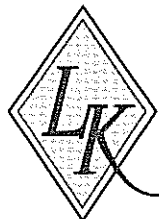
August 10, 2007

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Lewis + Knopf PC'.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 10, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Bad Axe Public Schools

Compliance

We have audited the compliance of Bad Axe Public Schools with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Bad Axe Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bad Axe Public Schools' management. Our responsibility is to express an opinion on Bad Axe Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bad Axe Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bad Axe Public Schools' compliance with those requirements.

In our opinion, Bad Axe Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Bad Axe Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bad Axe Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bad Axe Public Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.



Bad Axe Public Schools
Page 2
August 10, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bad Axe Public Schools, as of and for the year ended June 30, 2007, and have issued our report thereon dated August 10, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Bad Axe Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knoff PC
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I - Regular (06-07)		71530-0607	\$175,730
Innovative Education Program Strategies	84.298		
Title V (06-07)		70250-0607	1,154
Technology Literacy Challenge	84.318		
Technology Literacy Challenge (06-07)		74290-0607	1,804
Improving Teacher Quality	84.367		
Title IIA (06-07)		70520-0607	74,857
Total Passed Through Michigan Department of Education			<u>\$253,545</u>
Passed Through Huron Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Handicapped Preschool & School Programs (06-07)		60450-0607	10,312
IDEA Flowthrough Raise Grant (High School)		60450-0607	2,500
IDEA Flowthrough Raise Grant (Batzer)		60450-0607	5,000
IDEA Flowthrough Raise Grant (Batzer)		60450-0506	5,000
Total Passed Through Huron Intermediate School District			<u>\$22,812</u>
Passed Through Macomb Intermediate School District:			
Special Education - Grants to States			
IDEA Flowthrough Raise Grant (Newland)	84.027	Unknown	5,000
IDEA Flowthrough Raise Grant (Batzer)		Unknown	2,000
IDEA Flowthrough Raise Grant (Newland)		Unknown	3,000
Total Passed Through Macomb Intermediate School District			<u>\$10,000</u>
Passed Through Tuscola Intermediate School District:			
Safe & Drug Free Schools & Communities - State Grants	84.186		
Safe & Drug Free Grants (06-07)		72860-0607	2,771
Safe & Drug Free Grants (05-06)		62860-0506	3,816
Total Passed Through Tuscola Intermediate School District:			<u>\$6,587</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$292,944</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$175,730	\$0	\$136,276	\$39,454
0	0	1,154	0	1,154	0
0	0	1,804	0	1,804	0
0	0	74,857	0	57,368	17,489
\$0	\$0	\$253,545	\$0	\$196,602	\$56,943
0	0	10,312	0	10,312	0
0	0	2,499	0	2,499	0
0	0	5,000	0	5,000	0
1,389	5,000	0	0	1,389	0
\$1,389	\$5,000	\$17,811	\$0	\$19,200	\$0
(2,704)	2,296	2,704	0	0	0
0	0	2,000	0	2,000	0
(3,000)	0	6,000	0	3,000	0
(\$5,704)	\$2,296	\$10,704	\$0	\$5,000	\$0
0	0	2,771	0	0	2,771
3,816	3,816	0	0	3,816	0
\$3,816	\$3,816	\$2,771	\$0	\$3,816	\$2,771
(\$499)	\$11,112	\$284,831	\$0	\$224,618	\$59,714

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	\$33,359
Bonus Commodities		N/A	1,545
Total Commodities			<u>\$34,904</u>
School Breakfast Program	10.553	N/A	43,202
National School Lunch Program	10.555	N/A	<u>187,559</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$265,665
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
Passed Through Huron Intermediate School District:			
Medical Assistance Program Title XIX	93.778	N/A	<u>7,616</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$566,225</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$31,216	\$0	\$31,216	\$0
0	0	1,545	0	1,545	0
\$0	\$0	\$32,761	\$0	\$32,761	\$0
0	0	43,202	0	41,776	1,426
0	0	187,559	0	183,499	4,060
\$0	\$0	\$263,522	\$0	\$258,036	\$5,486
0	0	7,616	0	7,616	0
(\$499)	\$11,112	\$555,969	\$0	\$490,270	\$65,200

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$555,969

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund	\$292,447
School Service Fund	<u>263,522</u>
<u>TOTAL</u>	<u>\$555,969</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

BAD AXE PUBLIC SCHOOLS - BAD AXE, MICHIGAN
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Current Payments Per the Grant Section Auditor's Report (Form R 7120)			\$422,775
Current Payments Per the Grant Section Auditor's Report Cash Management System Add - Title II D 06-07 (CFDA #84.318)			1,426
<u>Less:</u> State Funded Grants School Breakfast Program			(2,324)
<u>Add:</u> Grants Passed Through Huron Intermediate School District: Special Education - State Grants (CFDA 84.027)	\$19,200		
Medical Assistance Program Title XIX (CFDA 93.778)	7,616		
Total Grants Passed Through Huron Intermediate School District:			26,816
Passed Through Macomb Intermediate School District: Special Education - State Grants (CFDA 84.027)			5,000
Grants Passed Through Tuscola Intermediate School District: Safe & Drug Free Schools & Communities - State Grants (CFDA 84.186)			3,816
Entitlement and Bonus Commodities (CFDA 10.550)			32,761
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$490,270</u>

BAD AXE PUBLIC SCHOOLS- BAD AXE, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant Deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant Deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
10.553/10.555

Name of Federal Program or Cluster
Nutrition Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the current year.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.